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Comments:

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Proposal: Regulation Z - Truth in Lending - Closed-end Mortgages  
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Comments:

Eliminating Yield Spread Premiums is harmful to consumers. All loans have some form of YSP. If I walk into my local Bank and take out a home loan, when the Bank sells that loan on the secondary market, they sell it at a premium, based on the rate. That, by definition is a Yield Spread Premium. But, since it happens after closing it's not disclosed (it's hidden from the consumer), and would not be prohibited under the proposed rule. As a broker, all compensation we earn, regardless of the source, must be fully disclosed and agreed to up front. This helps support competition in the marketplace which benefits consumers. Since a significant portion of a brokers compensation is paid by the lender, eliminating that income stream will force the broker to charge more up front, which put's them at a significant competitive disadvantage, and again ultimately harms consumers. Since more than half of all mortgage loans are originated by mortgage brokers, the big banks (who don't have to disclose their Yap's) would love to use this rule to eliminate their competition, again harming consumers in the process. Many borrowers now choose to have the lender pay all or part of their up front costs in exchange for a slightly higher rate. Indeed, in the current appraisal environment, sometimes this is the only way to make the loan work as their just isn't room to include the closing costs in the loan amount. Eliminating YSP will take away this option, which again harms consumers. Lastly, should this rule pass, the only way for a broker to stay in business will be to raise their up front fees (which will likely put them out of business) or fund their own loans via a warehouse line and then sell them to the lender (like the banks do) so the YSP would not need to be disclosed and would not fall under the prohibition. This would be harmful to consumers because it would circumvent the current full disclosure requirement and allow the broker to hide from the consumer how much they're really making.